

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

NOVEMBER 22, 2010

The Board of Directors of the Rhode Island Economic Development Corporation (the "Corporation") met on Monday, November 22, 2010, in Public Session, at 2:00 p.m., at the offices of the Rhode Island Economic Development Corporation located at 315 Iron Horse Way, Suite 101, Providence, Rhode Island, pursuant to notice of the meeting to all Directors, and public notice of the meeting, a copy of which is attached hereto, as required by the By-Laws of the Corporation and applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated: Governor Donald L. Carcieri, Mr. Alfred Verrecchia, Mr. Karl Wadensten, Mr. Daniel Sullivan, Mr. Shivan Subramaniam, Ms. Cheryl Snead, Mr. George Nee, Mr. Lynn Singleton, Mr. Paul Choquette, Dr. Timothy Babineau, Ms. Donna Cupelo, and Mr. Stephen Lane.

Director absent: Dr. David Dooley.

Also present were: Executive Director Keith Stokes and Attorney Robert I. Stolzman.

Governor Carcieri presided over the meeting and Attorney Robert I. Stolzman acted as Secretary.

1. CALL TO ORDER

Governor Carcieri called the meeting to order at 2:00 p.m., and called for a motion to approve the minutes of the last board meeting.

2. APPROVAL OF THE MINUTES OF THE MEETING HELD ON OCTOBER 25, 2010

Upon motion duly made by Ms. Snead and seconded by Ms. Cupelo, the following vote was adopted:

VOTED: To approve the public session minutes of the meeting held on October 25, 2010.

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Wadensten, Mr. Sullivan, Mr. Subramaniam, Ms. Snead, Mr. Nee, Mr. Singleton, Mr. Choquette, Dr. Babineau, Ms. Cupelo and Mr. Lane.

Voting against the foregoing were: None.

Following the vote, Governor Carcieri introduced Mr. Patrick Rogers, who was present to observe the meeting on behalf of Governor-elect Lincoln Chafee. Mr. Rogers is chairman of Governor-elect Chafee's transition team. Mr. Rogers thanked Governor Carcieri, Mr. Stokes and the Board for their cooperation with the transition, and noted that the EDC Board is essential in moving the State forward.

3. EXECUTIVE DIRECTOR'S REPORT

A copy of Executive Director Keith Stoke's report is attached at **Exhibit A**. Mr. Stokes highlighted the Northeast Offshore Wind Summit that was held on November 15-16 in Providence. The Summit was sponsored by the RIEDC and state leaders, with public and private stakeholders participating. Governor Carcieri, who also attended the Summit, made note of the high attendance.

Mr. Stokes also reported that he and EDC staff have been meeting with the local Chambers regarding the financial services programs available through the EDC. Forums have been held with Northern Rhode Island and North Kingstown Chambers of Commerce and the next forum is scheduled to be with the South Kingstown Chamber of Commerce. The purpose of the forums is to make the Chambers aware of the various financial programs available to businesses, including the newly created Job Creation Guaranty Program. Mr. Stokes noted that the small businesses have indicated their appreciation for these forums.

With respect to the America's Cup, Mr. Stokes stated that the BMW/Oracle team has given an official application to Newport, and a team from BMW/Oracle will be in Newport to personally meet with members of the America's Cup Committee. Mr. Stokes noted that the process is very slow, primarily because it is new and is subject to fine tuning along the way, including changes in time frames. He explained that the BMW/Oracle team is impressed with Fort Adams and the public good will.

In response to an inquiry of Mr. Choquette, Mr. Stokes explained that it presently appears that funding in the amount of \$5 to \$8 million will be required, but that much of that will be spent on fixed improvements to infrastructure for future use. He added that permitting from DEM, DOT, the State Preservation Society and others will be necessary to accomplish the improvements.

Mr. Stokes reported that the EDC has been very active since June, having provided up to \$23 million to local companies which have added over 300 jobs to the economy. He noted that staff has been very engaged with a variety of business sectors.

Mr. Stokes also reported that Board member Shivan Subramaniam and his company, FM Global, were recently featured in the New York Times, providing great press for Rhode Island.

Mr. Stokes noted that staff has been moving forward with the US Navy, as 42 acres of land, of which 20 acres are usable, are set to become available in the Melville area. Use of the land is proving challenging, as there are many environmental concerns. Mr. Stokes explained that a memorandum of understanding has been reached with boat builders in that area. This project has been in process for nearly 9 years and continues to move forward.

A meeting regarding tourism will be held on December 2 at Johnson & Wales University, primarily to discuss, through the assistance of a consultant, how to “brand” Rhode Island. The meeting will be a public forum to present data and initial strategy, and will bring various tourism groups together for a united effort. Mr. Stokes explained that it has been determined that most visitors to Rhode Island are “daytrippers”, who live within a 150 mile radius of Rhode Island. A way to keep them in the State for a longer stay is a goal of the tourism forum.

Ms. Cupelo reported that Eric Rosengren, CEO of the Federal Reserve Bank of Boston, was in the State recently to meet with the Providence Chamber of Commerce. She stated that the Federal Reserve provided a lot of data that can be helpful to Rhode Island. Mr. Stokes noted that he is scheduled to meet with Mr. Rosengren in the near future.

Executive Director Stokes recently met with officials from the West Bay and Washington County to discuss a project similar to the East Bay Wind Consortium for that part of the state.

Mr. Stokes stated that he would like to expand the utilization of the Renewable Energy Development Fund. He also suggested that a land-based “SAMP” be formed to identify sites for future collaborations.

Mr. Stokes presented a copy of a briefing document for a Statewide Strategic Plan for Office and Industrial Site Development (See **Exhibit B**). He explained that the EDC hired Moran, Stahl & Boyer to identify locations for businesses to grow, locate and develop. Mr. Stokes stated that a database is necessary to identify strategic locations for business development. He introduced Mr. Scott Gibbs, from Statewide Planning, and Mr. Marcel Valois, former executive director of the EDC, who now chairs the Board of Directors of the Economic Development Foundation of Rhode Island (“EDF-RI”). EDF-RI has created an inventory of land and buildings in Rhode Island which can be accessed via a website (www.risitelocator.com) which was created by Scott Gibbs. Mr. Valois explained that EDF-RI is a private company which is run by private sector Board members. He stated that its role in economic development is real estate-based. Mr. Valois explained that the EDF-RI invested \$80,000 in staff time to upgrade the database in order to be competitive.

Mr. Gibbs provided a demonstration of how the Rhode Island Site Locator website, which is available 24/7, can be used to find possible sites for business development.

Mr. Gibbs noted that Massachusetts and Connecticut are more broker-oriented regarding site locations, while Rhode Island is more economic development-oriented in this area. He explained that the site is not yet linked to cities and towns to view zoning criteria.

Mr. Choquette commented that there will be clients who would prefer to use their local Chambers rather than use this system. Mr. Gibbs agreed, but noted that the Chambers can then use this system to advise businesses. Mr. Gibbs noted that some training on how to use the system will be provided to local communities. He anticipates that Rhode Island companies or potential companies will be able to link with other Rhode Island companies through this program.

Mr. Scott Wolf, from Gro-Smart Rhode Island, also collaborated on this project. He noted the positive collaboration with the EDC.

Mr. Wolf explained that only the EDC and EDF-RI can input initial data into the system, but that brokers will be able to add data regarding any sites that are already in the database. The system will evolve as time goes on. A “local edition” page which can be accessed by the community will be available for a price.

4. BRIEFING ON INNOVATION TAX CREDIT

Ms. Christine Smith provided a report on the Innovation Tax Credit program (“ITC”) (See **Exhibit C**). She noted that the ITC has two distinct objectives: 1) getting capital to high-growth, high-wage industries; and 2) tapping into the community for angel investors. Ms. Smith explained that the ITC was established in 2006 and is governed by statute. The program targets high-wage jobs. The credits provided by the ITC are limited to funding of no more than \$1 million every 2 years and no more than \$100,000 per company.

The process involves an internal review of a company’s proposal by the EDC staff, which is then presented to the EDC Board for preliminary approval. The company then goes out to raise capital. Once the company has raised sufficient capital, the proposal comes back to the EDC Board for final approval. Ms. Smith noted that the companies that are eligible for ITC can also qualify for other programs for financial assistance.

Since its inception, Ms. Smith reported that ten companies have come forward for ITC assistance. Of those ten companies, five have done exceedingly well. Spreadsheets of the approved companies is included with the information at **Exhibit C**.

Ms. Cupelo asked if, going forward, the Board can be briefed on details regarding the companies that have been approved for ITC, including the number of employees and the company's current status.

5. FOR CONSIDERATION OF INNOVATION TAX CREDIT FOR MOFUSE, INC.

Pointing out the ROI analysis for MoFuse, Inc. in the Board packages (See **Exhibit D**), Ms. Smith introduced Ms. Annette Tonti, CEO of MoFuse.

Ms. Tonti made a presentation to the Board regarding Mofuse, Inc., a copy of which can be found at **Exhibit D**. She explained that Mofuse, Inc. has developed a mobile web for mobile devices, such as SmartPhones, for which desktop sites are ineffective. She pointed out the 24/7 availability of the plans, which are currently being used by major brands, including IBM, Delta Dental, US Department of State and Harper Collins, to name a few. Ms. Tonti noted that affordable subscription plans are available and that the company is going after local businesses, including restaurants, auto dealers and realtors.

The company presently has 4 employees who work out of a loft in Pawtucket. Ms. Tonti confirmed that she fully expects to be able to hire additional staff from Rhode Island. She explained that the hosting is done by Amazon, but that customer service is intended to remain in Rhode Island.

Ms. Tonti explained that the company needs to raise \$750,000, of which \$200,000 has been committed by the Slater Fund and another \$250,000 has been committed by Cherry Stone Angels. An additional \$300,000 is necessary to close.

Mr. Stolzman explained to the Board that the approval before them is a preliminary approval, and that MoFuse, Inc. will come back for final approval after it has raised the balance of its capital.

Upon motion duly made by Mr. Choquette and seconded by Dr. Babineau, the following vote was adopted:

VOTED: See text of Vote at **Exhibit D**.

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Wadensten, Mr. Sullivan, Mr. Subramaniam, Ms. Snead, Mr. Nee, Mr. Singleton, Mr. Choquette, Dr. Babineau and Mr. Lane.

Voting against the foregoing were: None.

Ms. Cupelo recused herself from the vote.

6. FOR CONSIDERATION OF INNOVATION TAX CREDIT FOR PHOENIX MEDICAL TECHNOLOGIES, INC.

Ms. Smith explained that Phoenix Medical Technologies, Inc. ("Phoenix") was granted preliminary approval by the Board about a year ago and then requested a six month extension to request final approval. Delays resulting from questions of ownership of the technology prevented the Company from coming back for final approval in a timely manner and the preliminary approval subsequently expired. The company is now requesting a new preliminary approval.

Ms. Smith introduced Mr. Steve Metzger, Phoenix' founder, who explained the technology to the Board (See **Exhibit E**). He noted that the technology was originally developed by Afferent Corporation, but that Phoenix now owns the technology, designed to increase tactile sensitivity, which affects primarily seniors and diabetics. The product is an insole unit that electronically increases tactile sensitivity in the feet. It involves design and manufacture of an insole unit, design of circuitry, software and wiring and design and manufacture of a base station. Mr. Metzger stated that the company has identified three Rhode Island companies to partner in the construction of the product, and needs funding in order to contract with those companies. He also noted that customer service for the product will remain in Rhode Island.

Mr. Metzger explained that the company plans to enter the market initially in the United Kingdom, since there are fewer constraints and there is a quicker path to revenues in the U.K. He explained that in the U.K., the health system will pay for the device, but that Medicare will not cover it in the United States, meaning that users will have to pay for it out-of-pocket without reimbursement. In addition, the device can be purchased over the counter in the U.K., but currently requires a prescription in the U.S. The device is awaiting FDA approval.

Responding to an inquiry of Mr. Verrecchia, Mr. Metzger reported that the unit will cost \$100 - \$150 to make and will retail at \$300 - \$400.

Upon approval of the ITC, Mr. Metzger anticipates that the company will have prototypes ready within 6 months.

Upon motion duly made by Mr. Singleton and seconded by Mr. Choquette, the following vote was adopted:

VOTED: See text of Vote at **Exhibit E**.

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Sullivan, Mr. Subramaniam, Ms. Snead, Mr. Nee, Mr. Singleton, Mr. Choquette, Dr. Babineau, Ms. Cupelo and Mr. Lane.

Voting against the foregoing were: None.

Mr. Wadensten recused himself from the vote.

7. FOR CONSIDERATION OF RENEWABLE ENERGY FUND APPROVAL FOR COOLEY, INCORPORATED

Mr. Julian Dash introduced Mr. Jeff Flath and Mr. Ron Markovsky, President and CFO, respectively, of Cooley, Incorporated. (“Cooley”) is requesting a recoverable grant from the Renewable Energy Development Fund in the amount of \$200,000, the details of which are found at **Exhibit F**. The funds will be used for the design, marketing and installation of flexible composites for billboard advertisements.

Governor Carcieri commented that Cooley has always been known as a roofing company. Mr. Flath explained that the company began in 1926 as a roofing company, and later developed environmental liners for roofing and commercial graphics. The company has developed a thin-film photovoltaic (“TFPV”) system that can be retrofitted to existing billboard and other outdoor structures, which will enable the billboards to self-generate the energy needed to run them. Its first demonstration project is the Times Square Billboard, a 100% solar-powered billboard in Times Square. The company anticipates long term operating jobs to be created by this project.

Upon motion duly made by Ms. Cupelo and seconded by Ms. Snead, the following vote was adopted:

VOTED: See text of Vote at **Exhibit F**.

Voting in favor of the foregoing were: Mr. Verrecchia, Mr. Wadensten, Mr. Sullivan, Mr. Subramaniam, Ms. Snead, Mr. Nee, Mr. Singleton, Mr. Choquette, Dr. Babineau, Ms. Cupelo and Mr. Lane.

Voting against the foregoing were: None.

8. FOR DISCUSSION ON DRAFT POLICIES FOR JOB CREATION GUARANTY PROGRAM

Attorney Stolzman referred to the draft Rules and Regulations for the Job Creation Guaranty Program (See **Exhibit G**), explaining that the procedure is for the Board to review the draft first, after which it will go out for public comment. He noted that the rules and regulations follow the statute which created this program, explained that the EDC wants to be sure the Board members are comfortable with the program before bringing any further applicants to the Board for consideration, and asked for the Board members to provide feedback.

Ms. Snead expressed her concern about the high number of people who are currently employed who may lack the skills for high paying jobs. Mr. Stolzman stated the EDC’s interest is in employing people at all levels, but that this program is targeted at high wage jobs. Mr. Stokes noted that the Small Business Loan Fund and other EDC programs are also available to assist job creation at all wage levels.

Responding to a question of Ms. Snead about what will happen if a company goes into receivership or bankruptcy, Mr. Stolzman referred her to Section 5 (iii) regarding the reserve fund.

Mr. Subramaniam asked why a public hearing was necessary. Mr. Stolzman explained that, although the legislation does not require a public hearing unless requested by a certain number of people, the Administrative Procedures Act encourages public hearings as a matter of “good government”.

Board members discussed whether or not the regulations should specify knowledge based businesses over any businesses. Mr. Rogers noted that the law does not speak to limitations. Mr. Stolzman acknowledged that the EDC is encouraged, but not required, to focus on knowledge based industries.

In response to a question of Ms. Cupelo, Mr. Stolzman stated that other EDC programs have similar rules and regulations. Ms. Cupelo described this program as a “good story” that needs to be simplified so that everyone can be aware of and have a good understanding of it.

Upon inquiry of Mr. Nee regarding the definition of a full time job as being 30 hours per week, Mr. Stolzman stated that this is how it is defined in the statute.

Mr. Stolzman noted that the intent of providing this draft to the Board was to start the dialogue so that the document can be refined and completed.

Prior to adjournment, Mr. Lane asked for permission to distribute a summary of first year activities by RI-CIE, RI Center for Innovation and Entrepreneurship, which was allowed (see **Exhibit H**).

There being no further business in Public Session, the meeting was adjourned at 5:20 p.m., upon motion made by Mr. Nee and seconded by Ms. Snead.

Robert I. Stolzman, Secretary